

April 19, 2004

Ms. Jennifer J. Johnson, Secretary  
Board of Governors of the  
Federal Reserve System  
20<sup>th</sup> Street and Constitution Ave., NW  
Washington, D.C. 20551  
Docket No. R-1180

Re: Request for Burden Reduction Recommendations; Consumer Protection: Lending-Related Rules; Economic Growth and Regulatory Paperwork Reduction Act of 1996 Review

Dear Ms. Johnson:

Falcon International Bank appreciates the opportunity to comment on the regulatory burden review. The Bank has recently experienced growth causing a change in the bank's classification from small bank to large bank. This change has caused an increased responsibility in the compliance area and the lending related rules in particular. The amount of regulatory requirements facing the banking industry presents a huge task for any institution, but especially for a community bank where resources are limited. Each time a regulation is revised and/or added, extensive training of bank personnel is required. This takes time and resources, both financial and human, which could be better spent on serving the financial needs of our community. We believe it is important to support the goals of reduction in the regulatory burden currently imposed on banks. With this in mind, we submit the following comments:

*Loans in Identified Flood Hazard Areas –*

- The regulation should specifically state the reasonable time to perform a flood determination and give the borrower notice. Recommendation is made to make the period at least 5 days prior to closing. That should be sufficient time for borrowers to acquire flood insurance if necessary. This will eliminate any question by loan officers/loan processors about the timing rule.
- The value of the land should be taken into consideration in the flood insurance regulations, even if located in a flood zone. If the value of the land exceeds the amount of the loan, the borrower should be able to opt out of purchasing flood insurance. Or the \$5,000 exemption threshold should be increased to a more reasonable amount.

*Equal Credit Opportunity Act (Regulation B) –*

- The requirement to have applicants affirm that the application is for joint credit should be taken out of the regulation. This requirement is one more box to check, one more place for applicants to sign and one more requirement for loan processors to comply with in order to complete a loan transaction. The signatures on the application and on the loan itself, of joint applicants/borrowers should be sufficient to demonstrate that the application/loan is for joint credit.
- The requirement for obtaining government monitoring information should be consistent with the requirement in HMDA. Even though the regulation makes reference to the

requirement in HMDA, it should mirror HMDA so that there is no confusion to loan officers/loan processors about when to obtain government monitoring information.

*Home Mortgage Protection Act (Regulation C) –*

- The reporting threshold should be increased to at least \$500 million, but consideration should be given to raise the threshold to \$1 billion.
- The additional reporting requirements beginning in 2004 are burdensome. The preapproval reporting requirement is not clear making it very difficult to train affected bank personnel. Consideration should be given to either redefining this requirement or eliminating it completely. Calculating the rate spread is not a difficult step, but the need for this calculation is not justifiable. The benefit of this public information to the consumer is not clear. Banks may be accused of overcharging when in reality the quality of the loan may necessitate a higher rate. Identification of loans as HOEPA loans is also an additional step that should be reconsidered by the regulators. Borrowers are made aware of the HOEPA status via a required disclosure. The benefit of this public information to the consumer is not clear. There is also a difference in the date used to identify the rate to calculate the rate spread versus HOEPA status. A review of these requirements seems appropriate in order to standardize the date used to make all rate comparisons.
- All of the reported fields should be evaluated for meaningfulness and unnecessary data fields should be eliminated.

*Truth in Lending (Regulation Z) –*

- The right of rescission section should be rescinded or borrowers should be allowed to waive their right to rescind without requiring a financial emergency. The application and documentation process usually takes at least two weeks giving applicants plenty of time to think about and make decisions about the transaction.

Falcon International Bank commends the regulator's efforts to review all banking regulations in order to reduce regulatory burden. We will continue to strive for full compliance with all rules and regulations and look forward to seeing the outcome of this review.

Sincerely,

Ana P. Valdez  
Chief Compliance Officer